

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5684-01
Bill No.: HB 1740
Subject: Medicaid; Social Services Department
Type: Original
Date: March 11, 2014

Bill Summary: This proposal allows providers to use clinical decision support tools as an alternative to prior authorization to determine the clinical appropriateness of services or procedures for recipients of medical assistance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown, greater than \$61,562,500)	(Unknown, greater than \$73,815,000)	(Unknown, greater than \$73,815,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown, greater than \$61,562,500)	(Unknown, greater than \$73,815,000)	(Unknown, greater than \$73,815,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Unknown income and revenues could exceed \$126,000,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS)** provide the following assumptions for section 208.164:

Federal Disallowance

Officials state the use of clinical decision support tools as an alternative to prior authorization for Home- and Community-Based Services (HCBS) could result in a disallowance of Federal Medicaid matching funds, since it is a violation of the rules set by the Centers for Medicare and Medicaid Services (CMS) State Plan and Waiver services. DHSS assumes for fiscal note purposes that if a disallowance occurred, in order to continue services at their current levels, General Revenue would be required to fund services. **Fiscal Impact:** (Unknown) GR; Unknown Federal.

Number of Participants

There are approximately 246,093 individuals who are aged, blind, or disabled and eligible for MO HealthNet in FY15. Of those individuals, an estimated 55,740 would already be participants in HCBS. If a clinical decision support tool is used by a provider as an alternative to prior authorization by DHSS staff, more than 190,353 additional individuals could access HCBS, though the actual number is unknown.

Cost of Services

The projected cost per participant in FY15 is estimated at \$12,923 annually. The addition of 190,353 or more participants to the HCBS program would cost approximately \$2,459,931,819, although the cost could be more. The average annual cost per participant could be driven higher if DHSS does not retain responsibility for appropriate eligibility through the use of prescreens, assessments, and prior authorizations. DHSS is unable to determine the exact fiscal impact, but assumes it could be significant. DHSS estimates the costs to be unknown, but greater than \$100 million. These services would be paid at the FY15 blended Federal Medical Assistance Program (FMAP) rate. **Fiscal Impact:** (Unknown > \$100 million).

Oversight notes for DHSS' impact to be (Unknown, > \$100,000 million), approximately 7,738 individuals would have to begin receiving HCBS services that do not currently receive those services ($\$100,000,000 / \$12,923$ estimated annual cost per participant = 7,738 new participants).

ASSUMPTION (continued)

Claims Payment System Redesign

The web tool and the MO HealthNet claims processing system would require extensive redesign to enable claims payment for those individuals who received services when a clinical decision support system is used to determine appropriate services rather than prior authorization. This would essentially require two systems of payment for the same types of services. These expenses would be paid at the administrative rate of 50 percent General Revenue/50 percent Federal.

Fiscal Impact: (Unknown, >\$100,000). (Unknown, >\$50,000) GR and (Unknown, >\$50,000) Federal.

Traditional Method to Access HCBS

Participants who do not have a provider that uses a clinical decision support tool would still access services via the DHSS HCBS Call Center through a prescreen and face-to-face assessments. Since the number of individuals who would access services in this manner is unknown versus the use of a clinical decision support tool by a provider, there would be no reduction in staff and no cost savings.

Medical Necessity Review

An unknown number of FTE would be required to review the services provided to assure they are medically appropriate in order to remain in compliance with the Medicaid State Plan and the HCBS Waivers. DHSS assumes that, since the review would contain complex medical information, these FTE would have to possess a degree in nursing, or a comparable field. These costs would be paid at the administrative rate of 50 percent General Revenue/50 percent Federal. Fiscal Impact: (Unknown) GR and (Unknown) Federal; (Unknown) FTE.

All of the Federal funding would be offset by matching funds, with the exception of any disallowance assessed for the HCBS services.

Oversight assumes the number of staff providing services through the traditional method of access to HCBS services would probably decline. However, it is also assumed there would be an increase in the number of staff that would be required to review the appropriateness of services provided for compliance with the Medicaid State Plan and the HCBS Waivers. Therefore, for fiscal note purposes, Oversight assumes there would be no significant change in DHSS staffing levels.

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state the MHD currently uses prior authorization/pre-certification to determine clinical appropriateness of services or procedures on a number of services/procedures, which include

ASSUMPTION (continued)

pharmacy, inpatient hospital, select outpatient hospital procedures, in-home services, and durable medical equipment (DME). The language allows the providers to use a clinical decision support tool, in lieu of the prior authorization required by MHD. MHD assumes that this language allows the providers to use a clinical decision support tool and if that tool determines clinical appropriateness, it would supersede MHD's prior authorization requirement. MHD is unable to calculate a true fiscal impact, but assumes the impact could be very significant. Therefore, MHD assumes the impact is unknown, but greater than \$100,000,000 annually (GR > \$36,905,000; Federal > \$63,095,000).

Officials from the **Department of Mental Health** assumes this proposal would result in no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Costs - DHSS (\$208.164)</u>			
HCBS clinical decision support	(Unknown, greater than \$30,758,333)	(Unknown, greater than \$36,910,000)	(Unknown, greater than \$36,910,000)
<u>Costs - DHSS (\$208.164)</u>			
WebTool/claims system design	(Unknown, greater than \$50,000)	\$0	\$0
<u>Costs - DSS-MHD ((\$208.164)</u>			
Increase in state program expenditures	(Unknown, greater than \$30,754,167)	(Unknown, greater than \$36,905,000)	(Unknown, greater than \$36,905,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Unknown, greater than \$61,562,500)	(Unknown, greater than \$73,815,000)	(Unknown, greater than \$73,815,000)

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS			
<u>Income - DHHS</u>			
Increase in program reimbursements	Unknown, greater than \$52,625,000	Unknown, greater than \$63,090,000	Unknown, greater than \$63,090,000
<u>Income - DSS-MHD ((§208.164)</u>			
Increase in program reimbursements	Unknown, greater than \$52,579,167	Unknown, greater than \$63,095,000	Unknown, greater than \$63,095,000
<u>Costs - DHSS (§208.164)</u>			
Increase in program expenditures	(Unknown, greater than \$52,625,000)	(Unknown, greater than \$63,090,000)	(Unknown, greater than \$63,090,000)
<u>Costs - DSS-MHD (§208.164)</u>			
Increase in program reimbursements	(Unknown, greater than \$52,579,167)	(Unknown, greater than \$63,095,000)	(Unknown, greater than \$63,095,000)
ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*** It is unknown at this time whether CMS would approve an amendment to the State Plan or the HCBS Waiver to allow providers to use clinical decision support tools. It is also unknown whether CMS would withdraw matching funds only from the increase in services expected as a result of this proposal or whether matching funds would be withdrawn from all services for which DHSS or DSS did not provide the authorization/assessment if an amendment was not approved. If federal matching funds were withdrawn, General Revenue funds would be required to supplant the loss of federal funds in order to maintain the level of services being provided.**

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have an impact on small business home- and community-based providers who do not have a clinical decision support tool.

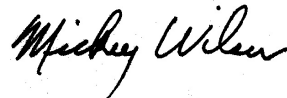
FISCAL DESCRIPTION

This proposal specifies that providers can use clinical decision support tools as an alternative to prior authorization when determining the clinical appropriateness of services or procedures.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Health and Senior Services
Department of Social Services -
MO HealthNet Division



Mickey Wilson, CPA
Director
March 11, 2014

Ross Strobe
Assistant Director
March 11, 2014